

from a total of \$4 billion ceded in 1996 to \$33 billion in 2008, including nearly \$21 billion to Bermuda affiliates and over \$7 billion to Swiss affiliates. Use of this affiliate reinsurance provides foreign insurance groups a significant market advantage over U.S. companies in writing direct insurance here in the U.S. We have seen in the last decade a doubling in the growth of market share of direct premiums written by groups domiciled outside the U.S., from 5.1 percent to 10.9 percent, representing \$54 billion in direct premiums written in 2006. Again, Bermuda-based companies represent the bulk of this growth, rising from 0.1 percent to 4 percent. And it should be noted that during this time, the percentage of premiums ceded to affiliates of non-U.S. based companies has grown from 13 percent to 67 percent. Bermuda is not the only jurisdiction favorable for reinsurance. In fact last year, one company moved from the Cayman Islands to Switzerland citing "the security of a network of tax treaties," among other benefits.

Congress first recognized the problem of excessive reinsurance in 1984 and provided specific authority to Treasury under Section 845 of the tax code to reallocate items and make adjustments in reinsurance transactions in order to prevent tax avoidance or evasion. In 2003, the Treasury Department testified before Congress that the existing mechanisms were not sufficient. In 2004, Congress amended this provision to expand the authority of Treasury to not only reallocate among the parties to a reinsurance agreement but also to recharacterize items within or related to the agreement. Congress specifically cited the concern that these reinsurance transactions were being used inappropriately among U.S. and foreign related parties for tax evasion. Despite this grant of expanded authority, Treasury has still been unable to stem the tide moving offshore.

Recently, a coalition of U.S.-based insurance and reinsurance companies has been formed to express their concerns to Congress. With more than 150,000 employees and a trillion dollars in assets here in the U.S., I believe it is a message of concern that we should heed. Last month, they wrote to the leadership of the House and Senate tax-writing committees urging passage of my bill because, as they wrote, "This loophole provides foreign-controlled insurers a significant tax advantage over their domestic competitors in attracting capital to write U.S. business."

That is why I am again filing legislation to disallow deductions for excess reinsurance premiums with respect to U.S. risks paid to affiliated insurance companies that are not subject to U.S. tax. The excess amount will be determined by reference to an industry fraction, by line of business, which will measure the average amount of reinsurance sent to unrelated parties by U.S. companies. The bill allows foreign groups to avoid the deduction disallowance by electing to be treated as a U.S. taxpayer with respect to the income from affiliate reinsurance. Thus, the bill merely restores a level-playing field, treating U.S. insurers and foreign-based insurers alike. The legislation provides Treasury the authority to carry out or prevent the avoidance of the provisions of this bill.

My colleagues may be thinking that this sounds similar to another provision in the code, and they would be right. The tax code currently tries to limit the amount of earnings stripping—that is, sending U.S. profits offshore

through inflated interest deductions—by disallowing the interest deduction over a certain threshold. In the reinsurance context, U.S. affiliates of foreign based reinsurance entities may be sending offshore excessive amounts of reinsurance to strip those premiums out of the purview of the U.S. tax system. My bill limits the deduction for those premiums to the extent the reinsurance to a related party exceeds the industry average.

I hope that in the coming weeks, my colleagues and experts in the industry will carefully review this new proposal and provide constructive commentary on it. A fuller technical explanation of the bill will be posted on my website, which will provide some background on the industry as well as a technical description of the bill. Madam Speaker, I appreciate the opportunity to address the House on this important matter and I assure my colleagues that I will continue my efforts to combat offshore tax avoidance, regardless of what industry is impacted.

THE GENERATING RETIREMENT OWNERSHIP THROUGH LONG-TERM HOLDING

HON. PAUL RYAN

OF WISCONSIN

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 30, 2009

Mr. RYAN of Wisconsin. Madam Speaker, I, along with Congressman ARTUR DAVIS and Congressman JOSEPH CROWLEY, re-introduce today the Generating Retirement Ownership Through Long-Term Holding ("GROWTH") Act of 2009. At a time when our economy is struggling to recover, this bipartisan bill would provide a valuable tool to hardworking Americans saving for retirement and other financial goals.

Mutual fund investors are overwhelmingly middle-income Americans investing for the long term. For many of these investors, mutual funds provide a low-cost, professionally managed, diversified opportunity in which they can save for their own retirement. Currently, investors who buy shares in a mutual fund and hold them for the long term find themselves taxed as they go—even though no fund shares were sold and no cash was received. This legislation allows mutual fund shareholders to keep more of their own money working for them longer by deferring capital gains taxes until they actually sell their investment. The GROWTH Act makes it easier for these individuals to meet their retirement savings goals.

Most of our Nation's mutual fund shareholders report that retirement is the primary reason why they are saving. More than 29 million Americans are saving through long-term mutual funds held in taxable accounts, either to supplement their employers' retirement plans, or because they do not have access to such plans. Seventy-six percent of mutual fund investors say that their primary financial goal is to save for retirement. At the same time, almost half—about 76.2 million of 158.1 million workers—are not offered any form of pension or retirement savings at work.

Meanwhile, the costs once in retirement are growing. For example, the Employee Benefit Research Institute estimates that, depending on their source of health insurance coverage and their comfort level with having a 50-per-

cent, 75-percent, or 90-percent chance of having enough savings to cover health insurance premiums and out-of-pocket health care expenses in retirement, men retiring at age 65 in 2019 will need between \$114,000–\$634,000, while needed savings for women range from \$164,000–\$754,000.

Mutual fund investors who automatically reinvest are doing the right thing. They are saving for the longer term, contributing to our national economy, and building up their own retirement nest egg. These Americans should be encouraged to save not punished for doing so through a tax on automatic reinvestments. The tax code needs to help, not hinder, saving for retirement. I urge my colleagues to join us in this effort and cosponsor this legislation.

RECOGNIZING THE GREATER LEANDER CHAMBER OF COMMERCE

HON. JOHN R. CARTER

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 30, 2009

Mr. CARTER. Madam Speaker, I would like to recognize the Greater Leander Chamber of Commerce for its great efforts within the community and serving as a helpful resource for the Adopt-a-Unit Program in Leander. The city of Leander participated in adopting troops from the 4th Infantry Division, Fort Hood, Texas. The Program provided soldiers and their families back home with supplies, care packages and moral support during their deployment to Iraq over the last year.

I appreciate the hard work and commitment of the Greater Leander Chamber staff and look forward to what great things it will do in the future.

It is an honor to recognize the Greater Leander Chamber of Commerce and its staff.

EARMARK DISCLOSURES

HON. TOM LATHAM

OF IOWA

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 30, 2009

Mr. LATHAM. Madam Speaker, pursuant to the new House Republican standards on earmarks, I am submitting the following information.

Bill Number: H.R. 3288—Transportation, Housing and Urban Development, and Related Agencies Appropriations Act, 2010

Project Name: Alice Road

Amount Provided: \$750,000

Account: FHWA TCSP—Transportation & Community & System Preservation

Recipient: Iowa Dept of Transportation

Recipient's Street Address: 800 Lincoln Way Ames, IA 50010

Description: This funding would be used for the constructing of a 6-lane arterial blvd. as part of a north-south economic development corridor.

Bill Number: H.R. 3288—Transportation, Housing and Urban Development, and Related Agencies Appropriations Act, 2010

Project Name: Ames Intermodal Facility

Amount Provided: \$350,000

Account: FTA—Buses & Bus Facilities

Recipient: Ames Transit Agency